

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	198,938	10,455	0	209,393	10,081	0	209,019	418,412
Operating Expenses	110,358	22,458	0	132,816	22,410	0	132,768	265,584
Equipment	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$309,296</b>	<b>\$32,913</b>	<b>\$0</b>	<b>\$342,209</b>	<b>\$32,491</b>	<b>\$0</b>	<b>\$341,787</b>	<b>\$683,996</b>
General Fund	166,141	(8,935)	0	157,206	(11,206)	0	154,935	312,141
State/Other Special	143,155	41,848	0	185,003	43,697	0	186,852	371,855
<b>Total Funds</b>	<b>\$309,296</b>	<b>\$32,913</b>	<b>\$0</b>	<b>\$342,209</b>	<b>\$32,491</b>	<b>\$0</b>	<b>\$341,787</b>	<b>\$683,996</b>

### Agency Description

The seven-member Board of Public Education, under authority of Article X, Section 9 of the Montana Constitution, exercises "general supervision over the public school system", including the School for the Deaf and Blind. This includes school accreditation, teacher certification, standardization of policies and programs, and equalization of aid distribution. Board accreditation is the basis for local school district eligibility for state funds. The board shares responsibility with the Board of Regents under Title 20, Chapter 2, MCA for general planning, coordination, and evaluation of the state education system.

### Agency Discussion

Board of Public Education Major Budget Highlights	
<ul style="list-style-type: none"> <li>○ Total funding increases 10.6 percent over the 2002 base budget with an average 6.0 percent per year decrease in general fund</li> <li>○ The requested level of expenditures for research projects would require spending some of the balance in the research fund account</li> </ul>	
Major LFD Issues	
<ul style="list-style-type: none"> <li>○ Teacher certification fees to offset general fund</li> <li>○ Use of the research fund</li> </ul>	

### Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

<b>Total Agency Funding 2005 Biennium Executive Budget</b>				
Agency Program	General Fund	State Spec.	Grand Total	Total %
Administration	\$ 312,141	\$ 29,825	\$ 341,966	50.0%
Advisory Council	-	342,030	342,030	50.0%
Grand Total	<u>\$ 312,141</u>	<u>\$ 371,855</u>	<u>\$ 683,996</u>	<u>100.0%</u>

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	Present Law Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Biennium Fiscal 02-03	Total Exec. Budget Fiscal 04-05
FTE	4.00	0.00	4.00	4.00	0.00	4.00	4.00	4.00
Personal Services	209,393	0	209,393	209,019	0	209,019	394,076	418,412
Operating Expenses	132,816	0	132,816	132,768	0	132,768	270,277	265,584
Equipment	0	0	0	0	0	0	1,814	0
<b>Total Costs</b>	<b>\$342,209</b>	<b>\$0</b>	<b>\$342,209</b>	<b>\$341,787</b>	<b>\$0</b>	<b>\$341,787</b>	<b>\$666,167</b>	<b>\$683,996</b>
General Fund	157,206	0	157,206	154,935	0	154,935	341,818	312,141
State/Other Special	185,003	0	185,003	186,852	0	186,852	324,349	371,855
<b>Total Funds</b>	<b>\$342,209</b>	<b>\$0</b>	<b>\$342,209</b>	<b>\$341,787</b>	<b>\$0</b>	<b>\$341,787</b>	<b>\$666,167</b>	<b>\$683,996</b>

### Agency Issues

#### LFD ISSUE

#### Increase Teacher Certification Fees to Fund Office

A main function of the Board of Public Education (BOPE) is to adopt policies for the issuance of teacher and specialist certificates in accordance with Title 20, Chapter 4, part 1, MCA. The statute also requires the board to conduct and act on proceedings regarding denial, suspension or revocation of teacher certificates through an investigation, possible hearing, and formal action. Annual funding requested for BOPE consists of about \$156,000 of general fund and \$186,000 of state special revenue from teacher certification fees. The Office of Public Instruction (OPI) Certification/Teacher Licensure Unit is responsible for the collection of fees and issuance of certificates, and the Superintendent of Public Instruction for the initial review of certification issues. The office is funded with \$223,000 general fund per year. The issue for legislative consideration is whether to increase teacher certification fees to replace general fund of the board and/or OPI, used to support teacher certification and accreditation.

20-4-109, MCA sets the fee for teacher and specialist certificates at \$6 per year. The fee is deposited into state special revenue accounts and statute requires that \$4 is used for expenses of the Certification Standards and Practices Advisory Council. This council is administratively attached to the Board of Public Education and makes recommendations regarding standards, policies and research activities to be undertaken by the Board. The remaining \$2 is used for special projects and research studies of the advisory council. Prior to fiscal 2000, the fee was split evenly between funding the advisory council expenses and the research fund.

**LFD  
ISSUE**

Teachers re-certify every five years for a total cost of \$30 per teacher. New teachers certifying in Montana for the first time pay an additional \$6 registration fee. With about 5,200 teachers re-certifying each year, revenues collected from the fees have averaged around \$157,500 per year over the last three years. In comparison to neighboring western states, teacher certification fees in Montana are low. The states consulted have reported renewal fees of \$20 to \$30, application fees of \$25 to \$50, transcript review fees of \$50 for in-state graduates to \$175 for out-of-state graduates, and finger print fees between \$36 to \$50. Some states, including Wyoming and North Dakota, fund their board entirely with teacher fees. Wyoming, like Montana, issues a five year certificate, but at a cost of \$25 per year. The initial application fee is \$50 and first time teachers must also pay a finger print fee of \$45, an evaluation fee of \$50 for in-state graduates, and \$150 for out-of-state graduates. The renewal fee in North Dakota is \$25 per year for a five year certificate.

Figure 1  
Teacher Certification Fees

State Comparison	Application Fee	Renewal Fee	Avg. Teacher Salary
Montana	\$ 6.00	\$ 6.00	\$ 33,249
Idaho	-	17.50	37,109
North Dakota	25.00	20.00	30,891
South Dakota	-	6.00	30,265
Wyoming	50.00	25.00	34,678
New Mexico	50.00	25.00	33,531

*Note - Many states have additional fees including transcript review, finger print & criminal background check, added fees for out-of state grads.*

*\* Average teacher salary is from the American Federation of Teachers 2000-2001 salary trend survey.*

First time applicants pay \$30 per year for a two year license plus a \$25 application fee, a \$42 fingerprint fee and a \$175 transcript review fee for out-of-state graduates. According to the "American Federation of Teachers 2000-2001 salary trend survey", average teacher salaries in North Dakota of \$30,891 are slightly less than Montana average salary of \$33,249. The Wyoming average salary is slightly higher at \$34,678.

The last fee increase in Montana occurred in 1991, at which time the fee was raised from \$5 to \$6. Since the fee and its distribution between the advisory council and research fund is established by statute, any fee increase would require statutory change through legislation outside of HB 2.

#### Options:

- Increase the annual fee to \$12 to provide an additional \$156,000 and replace Board of Public Education general fund.
- Increase the annual fee to \$15 to provide an additional \$234,000 and replace OPI Certification/Teacher Licensure Unit general fund.
- Increase the annual fee to \$21 to provide an additional \$390,000 and replace Board of Public Education and OPI Certification/Teacher Licensure Unit general fund.
- Increase the annual fee to \$13 to provide an additional \$156,000 to replace BOPE general fund and provide an additional \$20,000 to fund research activities at the requested level.
- Do not increase fees and approve BOPE funding at the requested level.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	121,431	(6,818)	0	114,613	(6,902)	0	114,529	229,142
Operating Expenses	56,751	830	0	57,581	(1,508)	0	55,243	112,824
<b>Total Costs</b>	<b>\$178,182</b>	<b>(\$5,988)</b>	<b>\$0</b>	<b>\$172,194</b>	<b>(\$8,410)</b>	<b>\$0</b>	<b>\$169,772</b>	<b>\$341,966</b>
General Fund	166,141	(8,935)	0	157,206	(11,206)	0	154,935	312,141
State/Other Special	12,041	2,947	0	14,988	2,796	0	14,837	29,825
<b>Total Funds</b>	<b>\$178,182</b>	<b>(\$5,988)</b>	<b>\$0</b>	<b>\$172,194</b>	<b>(\$8,410)</b>	<b>\$0</b>	<b>\$169,772</b>	<b>\$341,966</b>

### Program Description

The Administration Program provides administration, research, clerical functions, and management of business affairs for all programs under the authority of the Board of Public Education. The Board of Public Education exists under Article X, Section 9 of the Montana Constitution, and exercises general supervision of the public school system.

### Program Narrative

Administration Program Major Budget Highlights	
○	This program is funded 91.3 percent with general fund and the remaining with state special revenue from teacher certification fees
○	General fund decreases by about \$8,932 in fiscal 2004 and \$11,200 in fiscal 2005 from actual fiscal 2002 expenditures were primarily due to reductions in personal services carried forward from the 2002 Special Session along with replacement of an FTE at a lower rate of pay during the base year
○	State special revenue increases by about \$3,000 each year or 25 percent over fiscal 2002 expenditures to cover increased operating costs attributed to educator certification issues

### Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Administration						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 166,141	93.2%	\$ 157,206	91.3%	\$ 154,935	91.3%
02219 Research Fund	<u>12,041</u>	<u>6.8%</u>	<u>14,988</u>	<u>8.7%</u>	<u>14,837</u>	<u>8.7%</u>
Grand Total	<u>\$ 178,182</u>	<u>100.0%</u>	<u>\$ 172,194</u>	<u>100.0%</u>	<u>\$ 169,772</u>	<u>100.0%</u>

The Administration Program is funded with 91.3 percent general fund and 8.7 percent teacher certification fees. Teacher certification fees fund indirect costs and support the Teacher Certification Council, which is entirely funded with these fees.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				(5,667)					(5,751)
Vacancy Savings				0					0
Inflation/Deflation				192					220
Fixed Costs				2,910					743
<b>Total Statewide Present Law Adjustments</b>				<b>(\$2,565)</b>					<b>(\$4,788)</b>
DP 2 - Administrative Assessment									
0.00	0	3,000	0	3,000	0.00	0	3,000	0	3,000
DP 7000 - General Adjustments									
0.00	(6,423)	0	0	(6,423)	0.00	(6,622)	0	0	(6,622)
<b>Total Other Present Law Adjustments</b>				<b>(\$3,423)</b>					<b>(\$3,622)</b>
<b>0.00</b>	<b>(\$6,423)</b>	<b>\$3,000</b>	<b>\$0</b>	<b>(\$3,423)</b>	<b>0.00</b>	<b>(\$6,622)</b>	<b>\$3,000</b>	<b>\$0</b>	<b>(\$3,622)</b>
<b>Grand Total All Present Law Adjustments</b>				<b>(\$5,988)</b>					<b>(\$8,410)</b>

### Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

**DP 2 - Administrative Assessment** - This proposal increases the contribution of the research fund into the board operating budget by \$3,000 per year to cover a growing work load attributed to educator certification issues. The increased dollars will come from teacher certification fees and are earmarked by the legislature in a state special revenue fund.

**DP 7000 - General Adjustments** - This present law adjustment includes reinstating per diem for board members for a general fund increase of \$2,000 per year, and reinstating Governor reductions and global special session reductions for a decrease of \$8,423 in fiscal 2004 and \$8,662 in fiscal 2005. By law the members of the Board of Public Education may receive an honorarium for time spent serving the board. This honorarium is paid out when a member is on official business approved by the chair or the executive secretary. Per diem is a zero based item and must be requested each biennium. This adjustment reduces personal services by \$1,151 per year and operating expenses by \$5,272 in fiscal 2004 and \$5,471 in fiscal 2005.

### LFD COMMENT

The Advisory Council's recommended general fund budget is about 6.0 percent less than their fiscal 2002 actual expenditures and approximately equal to their fiscal 2003 anticipated budget. To sustain this lower level of spending in the next biennium, the board may have to forego National Association of State Boards of Education (NASBE) dues appropriated by the 2001 legislature, forego board meetings with the Board of Regents, and carry less in their budget for legal fees and contracted services, as expenditures in the base year were minimal and the board experienced limited litigation during the year. Also, the executive secretary assumed some of the work not needing to be accomplished by an attorney.

New federal mandates in the "No Child Left Behind Act" and the recent Montana Quality Education lawsuit make the board vulnerable to future litigation and could lead to the board seeking a supplemental appropriation if legal costs exceed 2002 actual expenditures of \$1,968. Litigation expenditures in fiscal 2001 were \$4,410, in fiscal 2000 were \$19,525 and in fiscal 1999 were \$8,515.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	77,507	17,273	0	94,780	16,983	0	94,490	189,270
Operating Expenses	53,607	21,628	0	75,235	23,918	0	77,525	152,760
Equipment	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$131,114</b>	<b>\$38,901</b>	<b>\$0</b>	<b>\$170,015</b>	<b>\$40,901</b>	<b>\$0</b>	<b>\$172,015</b>	<b>\$342,030</b>
State/Other Special	131,114	38,901	0	170,015	40,901	0	172,015	342,030
<b>Total Funds</b>	<b>\$131,114</b>	<b>\$38,901</b>	<b>\$0</b>	<b>\$170,015</b>	<b>\$40,901</b>	<b>\$0</b>	<b>\$172,015</b>	<b>\$342,030</b>

### Program Description

The seven-member Certification Standards and Practices Advisory Council, authorized by 2-15-1522, MCA, studies issues and makes recommendations to the Board of Public Education relative to educator certification, certification standards, and changes and appeals in accordance with 20-4-133, MCA. The council submits recommendations to the board annually and as needed.

### Program Narrative

Advisory Council Major Budget Highlights	
○	This program is funded entirely with teacher certification fees, with about 65 percent from the advisory council fund and 35 percent from the research fund
○	Expenditures from the research fund are anticipated to be approximately \$20,000 greater than the anticipated revenues each year, requiring additional authority to spend some of the current fund balance and increasing operating costs 40 percent over base year expenditures
○	Changes in staffing and pay during fiscal 2002 result in an approximate \$17,000 personal services adjustment in each year of the biennium due to a one-month vacancy, and upgrade, replacement of an FTE at a higher rate of pay, and annualization of the pay plan.

### Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Advisory Council						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
02122 Advisory Council	\$ 103,441	78.9%	\$ 110,000	64.7%	\$ 112,000	65.1%
02219 Research Fund	27,673	21.1%	60,015	35.3%	60,015	34.9%
02972 Icdm Conference	-	-	-	-	-	-
<b>Grand Total</b>	<b>\$ 131,114</b>	<b>100.0%</b>	<b>\$ 170,015</b>	<b>100.0%</b>	<b>\$ 172,015</b>	<b>100.0%</b>

The Certification Standards and Practices Advisory Council is funded with teacher certification fees. The current \$6 fee provides \$4 for council support and \$2 for research and study.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				17,273					16,983
Vacancy Savings				0					0
Inflation/Deflation				304					323
Fixed Costs				2,770					1,306
<b>Total Statewide Present Law Adjustments</b>				<b>\$20,347</b>					<b>\$18,612</b>
DP 5 - Tie Appropriations to Anticipated Revenue									
0.00	0	18,554	0	18,554	0.00	0	22,289	0	22,289
<b>Total Other Present Law Adjustments</b>									
<b>0.00</b>	<b>\$0</b>	<b>\$18,554</b>	<b>\$0</b>	<b>\$18,554</b>	<b>0.00</b>	<b>\$0</b>	<b>\$22,289</b>	<b>\$0</b>	<b>\$22,289</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$38,901</b>					<b>\$40,901</b>

### Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 5 - Tie Appropriations to Anticipated Revenue - Research revenue is anticipated to be \$55,000 in fiscal 2004 and \$56,000 in fiscal 2005, with a current fund balance in excess of \$82,000. This appropriation provides authority to spend anticipated revenue plus \$5,000 per year in fund balance. Advisory Council revenue is anticipated to be \$110,000 in fiscal 2004 and \$112,000 in fiscal 2005. This adjustment reduces the base expenditures to the level of anticipated revenue.

#### LFD ISSUE

#### Use of Fund Balance

This proposal combined with research funding of \$15,000 per year in Program 01 requires spending \$20,000 per year of the \$82,604 research fund balance. As shown in figure 2, this level of spending could not be sustained over the long-term without creating a deficit fund balance, assuming minimal growth in teacher certifications. The issue for consideration by the legislature is: should research activities be funded at the proposed level or should the fund balance and some portion of the future allocations be used to offset general fund within the administration program?

In fiscal 2002, research fund expenditures were \$39,715, approximately 25 percent less than the amount generated from the fee. Examples of how these funds have been used include a study of teacher retention and recruitment called "Who will Teach Our Children", and a sequel to this study that not only addressed teacher shortages but administrator shortages as well. During fiscal 1998 through 01 the average fund expenditures were \$71,445, indicating that the level of spending in fiscal 2002 was quite a bit lower than historical spending levels.

According to the board, this lower level of spending was attributed to the advisory council trying to be more judicious in what research activities were funded. A past effort regarding a professional development report proved to be ineffective. This adjustment combined with Program 01 research funding increases the research fund appropriation authority closer to historical spending levels at about \$75,000 per year, and \$20,000 more than the anticipated revenues. Some of the future activities anticipated by the advisory council include an assessment task force that would coordinate federal requirements of the "No Child Left Behind Act of 2001" with state level elementary and secondary education requirements and a possible distance learning initiative.

**LFD  
ISSUE  
(continued)**

**Figure 2**  
**Board of Public Education**  
**Account Entity Review and Projection**

	Fiscal 98	Fiscal 99	Fiscal 00	Fiscal 01	Fiscal 02	Fiscal 03	Projected Fiscal 04	Fiscal 05
<u><b>Advisory Council - 02122</b></u>								
Beg. Fund Balance	\$ 23,146	\$ 14,254	\$ 2,438	\$ 18,410	\$ 28,419	\$ 30,893	\$ 30,893	\$ 30,893
Revenues	77,192	77,852	104,421	104,639	106,027	109,138	110,000	112,000
Expenditures	<u>(86,084)</u>	<u>(89,668)</u>	<u>(88,449)</u>	<u>(94,518)</u>	<u>(103,553)</u>	<u>(109,138)</u>	<u>(110,000)</u>	<u>(112,000)</u>
Ending Fund Balance	\$ 14,254	\$ 2,438	\$ 18,410	\$ 28,419	\$ 30,893	\$ 30,893	\$ 30,893	\$ 30,893
<u><b>Research Fund - 02219</b></u>								
Beg. Fund Balance	\$ 95,620	\$ 82,619	\$ 86,691	\$ 67,332	\$ 69,314	\$ 82,604	\$ 64,548	\$ 44,545
Revenues	77,192	77,852	52,201	52,230	53,005	54,000	55,000	56,000
Expenditures	<u>(90,193)</u>	<u>(73,780)</u>	<u>(71,560)</u>	<u>(50,248)</u>	<u>(39,715)</u>	<u>(72,056)</u>	<u>(75,003)</u>	<u>(74,852)</u>
Ending Fund Balance	\$ 82,619	\$ 86,691	\$ 67,332	\$ 69,314	\$ 82,604	\$ 64,548	\$ 44,545	\$ 25,693
Number of teachers certifying	5,499	5,019	5,220	5,011	5,616			

*Revenue source is from the \$6 teacher certification fee.*

*\*Fiscal 1998 thru 2002 fund balance is based on actual revenue and expenditures. 2003 thru 2005 revenues and expenditures are based on the Executive proposed budget.*

**Options:**

- Authorize funding within this program at the level of anticipated revenues and utilize the fund balance to offset general fund in the Administration Program.
- Authorize funding at the fiscal 2002 actual expenditure level and direct the remaining revenues to the Administration Program.
- Increase teacher certification fees to sustain this level of research spending and/or offset general fund. Refer to the agency issue for further discussion.
- Revise the distribution between the advisory council and research fund.
- Authorize funding at the level requested for the 2005 biennium.